

NOTES TO FINANCIAL STATEMENTS

30 September 2005

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability under the Bermuda Companies Act 1981 as an exempted company, on 18 August 1998. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Company's principal activity was investment holding. The principal activities of the subsidiaries comprised the design, development, manufacture and sale of a wide range of (1) electronics and related components and parts (including principally quartz crystals, liquid crystal displays, printed circuit boards and watch movements); and (2) consumer electronic products (including principally electronic calculators, telecommunication phones, electronic watches and clocks and personal data assistants). They were also engaged in the trading of electronics and related components and parts and computer components and accessories. There were no significant changes in the nature of the Company's and Group's principal activities during the year.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 September 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 3 "Business combinations" applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have any business combinations during the year and accordingly, this HKFRS has had no impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of the investment property and certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 September 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Subsidiaries**

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entity

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in the jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment property and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than the investment property, are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Fixed assets and depreciation** *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land held in Mainland China	
under medium term land use rights	Over the period of the land use rights
Leasehold land held in Hong Kong	
under medium term leases	Over the lease terms
Buildings	2% to 5%
Leasehold improvements	10%
Plant, machinery and office equipment	10%
Moulds	10%
Motor vehicles	10%
Furniture and fixtures	10%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset at the time of disposal.

Construction in progress represents buildings and structures under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment property

Investment property is an interest in land and building in respect of which construction work and development have been completed and which is intended to be held on a long term basis for its investment potential, any rental income being negotiated at arm's length. Such property is not depreciated and is stated at its open market value on the basis of annual professional valuation performed at the end of each financial year.

Changes in the value of investment property are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Investments**

Investments in debt securities redeemable at fixed dates are intended to be held to maturity and are stated at amortised cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries and a jointly-controlled entity, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Income tax** *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Employee benefits*Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS *(Continued)***30 September 2005****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Employee benefits** *(Continued)**Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entity are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entity are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**NOTES TO FINANCIAL STATEMENTS** *(Continued)***30 September 2005****4. SEGMENT INFORMATION**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the electronic components and parts segment consists of the design, development, manufacture and sale of electronic and related components and parts;
- (b) the consumer electronic products segment consists of the design, development, manufacture and sale of consumer electronic products; and
- (c) the trading segment consists of the trading of integrated circuits and computer components and accessories.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

4. SEGMENT INFORMATION (Continued)**(a) Business segments**

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

Group

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	224,488	217,165	680,779	628,267	50,867	53,741	956,134	899,173
Other revenue and gains	93	802	1,166	1,839	2	21	1,261	2,662
Total	224,581	217,967	681,945	630,106	50,869	53,762	957,395	901,835
Segment results	3,502	6,771	35,064	39,782	(5,046)	(2,663)	33,520	43,890
Interest and unallocated other revenue and gains							687	1,604
Unallocated expenses							(1,012)	(919)
Profit from operating activities							33,195	44,575
Finance costs							(36)	(2,761)
Share of profit of a jointly-controlled entity							1,465	1,837
Profit before tax							34,624	43,651
Tax							(6,959)	(8,575)
Net profit from ordinary activities attributable to shareholders							27,665	35,076

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

4. SEGMENT INFORMATION (Continued)**(a) Business segments** (Continued)**Group**

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment assets	349,527	376,536	502,417	390,196	17,834	37,454	869,778	804,186
Interest in a jointly-controlled entity							15,901	16,081
Unallocated assets							237,663	247,213
Total assets							1,123,342	1,067,480
Segment liabilities	24,962	46,455	135,966	87,039	18,203	15,224	179,131	148,718
Unallocated liabilities							33,295	33,989
Total liabilities							212,426	182,707
Other segment information:								
Capital expenditure	17,193	25,967	32,575	14,296	-	-	49,768	40,263
Unallocated capital expenditure							6,818	2,016
							56,586	42,279
Depreciation	32,916	30,118	23,300	22,198	-	-	56,216	52,316
Unallocated depreciation							1,443	1,426
							57,659	53,742
Provision for inventories	2,660	4,063	4,624	7,883	2,287	4,232	9,571	16,178
Provision for doubtful debts	1,344	4,906	4,833	15,794	193	801	6,370	21,501

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

4. SEGMENT INFORMATION (Continued)**(a) Business segments** (Continued)**Group**

	Electronic components and parts		Consumer electronic products		Trading of integrated circuits and computer components and accessories		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information (continued):								
Revaluation surplus on an investment property							310	550

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Other Asian countries		American countries		European countries		African countries		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	214,373	208,383	134,478	110,667	159,897	152,396	200,295	176,493	150,524	153,141	96,567	98,093	956,134	899,173
Other segment information:														
Total assets	185,527	218,310	902,021	829,914	30,842	18,783	3,020	473	976	-	956	-	1,123,342	1,067,480
Capital expenditure	98	1,141	56,488	41,138	-	-	-	-	-	-	-	-	56,586	42,279

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's other revenue and gains is as follows:

	2005 HK\$'000	2004 HK\$'000
Other revenue		
Interest income	602	175
Gross rental income	152	283
Sale of by-products	–	1,241
Others	884	875
	1,638	2,574
Gains		
Gain on disposal of long term investments	–	1,089
Gain on revaluation of short term investments	–	53
Revaluation surplus on an investment property	310	550
	310	1,692
	1,948	4,266

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2005 HK\$'000	2004 HK\$'000
Cost of inventories sold	855,798	787,311
Depreciation	57,659	53,742
Minimum lease payments under operating leases in respect of land and buildings	814	769
Auditors' remuneration	940	930
Staff costs (excluding directors' remuneration – note 8(a)):		
Wages, salaries and allowances	170,129	137,133
Pension schemes contributions (defined contribution schemes)*	3,691	3,845
	173,820	140,978
Gross rental income	152	283
Less: outgoings	(11)	(11)
Net rental income	141	272
Provision for inventories	9,571	16,178
Exchange losses, net	5,089	1,725
Loss on disposal of fixed assets	150	117

The cost of inventories sold includes provision for inventories of HK\$9,571,000 (2004: HK\$16,178,000) and aggregate direct staff costs and depreciation of approximately HK\$206,429,000 (2004: HK\$176,165,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

* As at 30 September 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

NOTES TO FINANCIAL STATEMENTS *(Continued)*

30 September 2005

7. FINANCE COSTS

	2005 HK\$'000	Group 2004 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	36	2,757
Interest on a finance lease	–	4
	36	2,761

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION**(a) Directors' remuneration**

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2005 HK\$'000	Group 2004 <i>HK\$'000</i>
Fees	720	330
Other emoluments:		
Salaries and allowances	5,954	8,176
Pension scheme contributions	36	42
	5,990	8,218
	6,710	8,548

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (Continued)**(a) Directors' remuneration** (Continued)

The remuneration of executive and non-executive directors is set out below:

Name	2005				2004
	Fees HK\$'000	Salaries and allowances HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000	Total HK\$'000
Executive directors:					
Ms. Wong King Ching, Helen	-	2,778	12	2,790	2,678
Mr. Leung Chi Fai	-	869	12	881	885
Ms. Wong King Man	-	2,307	12	2,319	2,101
Ms. Wong Choi Ping (note 1)	-	-	-	-	1,413
Ms. Wong Choi Kam (note 2)	-	-	-	-	929
	-	5,954	36	5,990	8,006
Non-executive directors:					
Mr. So Day Wing *	120	-	-	120	120
Mr. Wong Kim Seong	-	-	-	-	-
Mr. Wong Kun Kim *	120	-	-	120	120
Mr. Kuo Yen Ting *	120	-	-	120	-
Ms. Wong Chun Ying	240	-	-	240	212
Ms. Wong Choi Kam (note 2)	120	-	-	120	90
	720	-	-	720	542
	720	5,954	36	6,710	8,548

Notes:

1 Ms. Wong Choi Ping resigned on 31 May 2004.

2 Ms. Wong Choi Kam redesignated to become a non-executive director with effect from 31 May 2004.

* Independent non-executive directors

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (Continued)**(b) Five highest paid employees' remuneration**

The five highest paid employees during the year included three (2004: five) directors, details of whose remuneration are set out in (a) above. Details of the remuneration of the remaining two (2004: Nil) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Salaries and allowances	1,249	–
Pension scheme contributions	24	–
	1,273	–

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2005	2004
Nil to HK\$1,000,000	2	–

9. TAX

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	–	405
Overprovision in prior years	(60)	(119)
Current – Mainland China		
Charge for the year	7,275	7,794
Underprovision in prior years	–	2,210
Deferred tax (note 25)	(629)	(1,941)
	6,586	8,349
Share of tax attributable to a jointly-controlled entity	373	226
Total tax charge for the year	6,959	8,575

NOTES TO FINANCIAL STATEMENTS (Continued)**30 September 2005****9. TAX** (Continued)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year ended 30 September 2004. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

On 14 April 2003, 4 April 2004 and 28 March 2005, tax concessions have been granted by the local municipal tax bureau, under which the effective income tax rate applicable to Xinwei Electronic Industrial Co., Ltd., Fujian ("Fujian Xinwei"), a wholly-owned subsidiary of the Company, has remained at 10% for the periods from 1 January 2003 to 31 December 2005. As a result, for the years ended 30 September 2004 and 2005, a provision for income tax has been made at a tax rate of 10% for the entire assessable profit attributable to Fujian Xinwei.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the region in which the Company, its subsidiaries and jointly-controlled entity are domiciled to the tax expense at the effective tax rates, is as follows:

Group – 2005

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Profit/(loss) before tax	(10,858)	45,482	34,624
Tax at the statutory tax rate	(1,900)	15,009	13,109
Lower tax rate for specific province or local authority	–	(9,239)	(9,239)
Adjustments in respect of current tax of previous periods	(60)	–	(60)
Income not subject to tax	(252)	–	(252)
Expenses not deductible for tax	465	1,315	1,780
Tax losses utilised from previous periods	(173)	(66)	(239)
Tax losses not recognised	1,860	–	1,860
Tax charge at the Group's effective rate	(60)	7,019	6,959

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

9. TAX (Continued)

Group – 2004

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Profit/(loss) before tax	(8,386)	52,037	43,651
Tax at the statutory tax rate	(1,467)	17,172	15,705
Lower tax rate for specific province or local authority	–	(11,922)	(11,922)
Adjustments in respect of current tax of previous periods	(119)	2,210	2,091
Income not subject to tax	(302)	–	(302)
Expenses not deductible for tax	314	733	1,047
Tax losses utilised from previous periods	(335)	–	(335)
Tax losses not recognised	2,291	–	2,291
Tax charge at the Group's effective rate	382	8,193	8,575

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 30 September 2005 dealt with in the financial statements of the Company, was HK\$6,021,000 (2004: HK\$6,965,000) (note 28).

11. DIVIDEND

	2005 HK\$'000	2004 HK\$'000
Proposed final – 1 cent (2004: 1 cent) per ordinary share	10,160	10,160

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$27,665,000 (2004: HK\$35,076,000) and 1,016,001,301 (2004: 1,016,001,301) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 30 September 2005 and 2004 have not been disclosed, as all share options outstanding during these years do not have dilutive effect on the basic earnings per share for these years.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

13. FIXED ASSETS**Group**

	Investment property HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant, machinery and office equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:									
At beginning of year	2,150	208,722	54,590	369,085	18,977	15,757	1,218	-	670,499
Additions	-	6,126	2,408	45,259	23	46	9	2,715	56,586
Disposals	-	-	-	(575)	-	-	-	-	(575)
Revaluation	310	-	-	-	-	-	-	-	310
Exchange realignment	-	3,721	970	6,820	351	243	1	-	12,106
At 30 September 2005	2,460	218,569	57,968	420,589	19,351	16,046	1,228	2,715	738,926
Accumulated depreciation:									
At beginning of year	-	17,610	16,022	181,088	16,913	11,461	907	-	244,001
Provided during the year	-	9,248	5,639	39,188	1,934	1,603	47	-	57,659
Disposals	-	-	-	(346)	-	-	-	-	(346)
Exchange realignment	-	320	258	3,346	313	196	-	-	4,433
At 30 September 2005	-	27,178	21,919	223,276	19,160	13,260	954	-	305,747
Net book value:									
At 30 September 2005	2,460	191,391	36,049	197,313	191	2,786	274	2,715	433,179
At 30 September 2004	2,150	191,112	38,568	187,997	2,064	4,296	311	-	426,498
An analysis of cost or valuation:									
At cost	-	16,603	57,968	92,762	19,351	2,588	1,228	2,715	193,215
At valuation:									
Open market value	2,460	7,800	-	-	-	-	-	-	10,260
Depreciated replacement cost	-	194,166	-	327,827	-	13,458	-	-	535,451
	2,460	218,569	57,968	420,589	19,351	16,046	1,228	2,715	738,926

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

13. FIXED ASSETS (Continued)

The Group's investment property located in Hong Kong was revalued on 30 September 2005 by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at HK\$2,460,000, on an open market, existing use basis. A revaluation surplus of HK\$310,000 has been credited to the profit and loss account resulting from the revaluation. The investment property is leased to a third party under an operating lease, further summary details of which are included in note 29(a) to the financial statements. The investment property is held under a medium term lease.

In the opinion of the directors, there had been a material difference between the fair value and the carrying value of the Group's leasehold land and buildings, plant, machinery and office equipment, and motor vehicles as at 30 September 2002 and therefore professional valuation had been made on 30 September 2002. The Group's leasehold land and buildings located in Hong Kong were revalued on 30 September 2002 by Chesterton Petty Limited, at HK\$7,800,000, on an open market, existing use basis. The Group's leasehold land and buildings located in Mainland China and the Group's plant, machinery and office equipment, and motor vehicles as at 30 September 2005, other than the additions and transfer-in in the years ended 30 September 2003, 2004 and 2005, were revalued on 30 September 2002 by Chesterton Petty Limited on a depreciated replacement cost basis, at HK\$194,166,000, HK\$327,827,000 and HK\$13,458,000, respectively.

In the opinion of the directors, there was no material movement in fair value of those revalued fixed assets. Accordingly no professional valuation of such leasehold land and buildings, plant, machinery and office equipment, and motor vehicles was made as at 30 September 2005 because the directors are of the opinion that the fair value of such revalued fixed assets at 30 September 2005 is not significantly different from the carrying amount at 30 September 2002 and that a further professional valuation would involve expense out of proportion to the value to the shareholders of the Group.

As at 30 September 2005, the carrying values of the leasehold land and buildings, plant, machinery and office equipment, and motor vehicles arising from the additions and transfer-in in the years ended 30 September 2003, 2004 and 2005, amounted to HK\$16,603,000, HK\$92,762,000 and HK\$2,588,000, respectively. In the opinion of the directors, the fair value of such fixed assets at 30 September 2005 is not significantly different from the carrying amount at 30 September 2005. Accordingly, no professional valuation of the additions and transfer-in in the years ended 30 September 2003, 2004 and 2005 in respect of leasehold land and buildings, plant, machinery and office equipment, and motor vehicles was made as at 30 September 2005.

Had the Group's leasehold land and buildings, plant, machinery and office equipment, and motor vehicles been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$156,979,000 (2004: HK\$157,489,000), HK\$190,691,000 (2004: HK\$180,311,000) and HK\$2,599,000 (2004: HK\$4,025,000), respectively.

The Group's leasehold land and buildings included above are held under the following lease terms:

	<i>HK\$'000</i>
Hong Kong, held under medium term leases	7,800
Mainland China, held under medium term land use rights	210,769
	<u>218,569</u>

The investment property and certain leasehold land and buildings of the Group with a total carrying value of HK\$9,400,000 (2004: HK\$9,241,000) were pledged to secure banking facilities granted to the Group (note 24) as at 30 September 2005.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

14. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Unlisted shares, at cost	118,577	118,577
Due from subsidiaries	471,477	487,619
Due to a subsidiary	(2)	(2)
	590,052	606,194

The balances with subsidiaries are unsecured, interest-free and are not repayable within one year from the balance sheet date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sunway International (BVI) Holdings Limited	British Virgin Islands	US\$50,000	100	–	Investment holding
Sungo Holding Company Limited	Hong Kong	Ordinary HK\$3 * Non-voting deferred HK\$6,500,000	–	100	Trading of electronic products
Guidy International Limited	Hong Kong	Ordinary HK\$3 * Non-voting deferred HK\$6,500	–	100	Trading of electronic products
Xinwei Electronic Industrial Co. Ltd., Fujian **	People's Republic of China ("PRC")/ Mainland China	HK\$152,000,000	–	100	Manufacture and trading of electronic products

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sunway Information Technology Company Limited	British Virgin Islands	US\$1	–	100	Investment holding
Kenko International Company Limited	Hong Kong	HK\$10,000	–	100	Trading of electronic products
Regal Honour Industrial Limited	Hong Kong	HK\$10,000	–	100	Trading of computer products
Putian Sunyee LCD Technology Co., Ltd. **	PRC/ Mainland China	HK\$36,000,000	–	100	Manufacture of liquid crystal displays products

* The holders of the non-voting deferred shares are not entitled to any dividend, have no right to vote at general meetings, and only carry the right to receive the nominal amount paid-up or credited as paid-up on the non-voting deferred shares in a return of capital on liquidation after the holders of ordinary shares have received the sum of HK\$1,000,000,000 per ordinary share.

** The subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	10,224	9,132
Due from a jointly-controlled entity	5,677	6,949
	15,901	16,081

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY (Continued)

The amount due from a jointly-controlled entity is unsecured and interest-free, and not repayable within one year from the balance sheet date.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operation	Percentage of ownership interest, voting power and profit sharing attributable to the Group	Principal activities
Taiwan Communication (Fujian) Company Limited	Corporate	PRC/ Mainland China	40	Manufacture and trading of telecommunication products

Interest in the jointly-controlled entity is indirectly held by the Company.

16. LONG TERM INVESTMENTS

	Group	
	2005 HK\$'000	2004 <i>HK\$'000</i>
Unlisted held-to-maturity debt securities with a residual maturity of over one year, at amortised cost	—	4,980

As at 30 September 2005, the debt securities have a residual maturity of less than one year and are reclassified as short term investments of the Group (note 21).

17. DEPOSITS PAID FOR ACQUISITION OF FIXED ASSETS

The balances represent aggregate deposits of HK\$6,954,000 (2004: HK\$6,045,000) paid in respect of the acquisition of land use rights of land located in the PRC and aggregate deposits of HK\$8,851,000 (2004: HK\$13,791,000) paid in respect of purchases of fixed assets. The related capital commitments are set out in note 30.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

18. INVENTORIES

An analysis of the inventories as at the balance sheet date, net of provision, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	142,463	122,296
Work in progress	33,863	45,202
Finished goods	96,300	72,733
	272,626	240,231

No inventories were stated at net realisable value as at 30 September 2005 (2004: Nil).

19. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current to 3 months	147,532	134,065
4 to 6 months	28,261	23,940
7 to 12 months	12,866	15,350
Over 1 year	34,532	20,559
	223,191	193,914
Less: Provision for doubtful debts	(41,308)	(35,811)
	181,883	158,103

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

20. DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group	30 September 2005	Maximum amount outstanding during the year	1 October 2004
Name	HK\$'000	HK\$'000	HK\$'000
Scientek Enterprise (Hong Kong) Limited	6,247	6,288	2,940

Scientek Enterprise (Hong Kong) Limited is controlled by the spouse of Ms. Wong Choi Kam, a director of the Company. The amount due from a related company is unsecured, interest-free and has no fixed terms of repayment.

21. SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Unlisted held-to-maturity debt securities with a residual maturity of less than one year, at amortised cost (note 16)	4,980	–

22. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
	<i>Note</i>	2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances		146,579	179,420	19	27
Time deposits		24,415	3,087	–	–
		170,994	182,507	19	27
Less: Pledged time deposits for trust receipt loans facilities	24	(15,555)	(3,087)	–	–
Cash and cash equivalents		155,439	179,420	19	27

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$48,207,000 (2004: HK\$31,654,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

23. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current to 3 months	122,147	106,011
4 to 6 months	1,498	3,423
7 to 12 months	450	369
Over 1 year	2,262	1,918
	126,357	111,721

24. TRUST RECEIPT LOANS, SECURED

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trust receipt loans, secured and repayable within one year	13,288	11,610

As at 30 September 2005, the Group's trust receipt loans are secured by time deposits amounting to HK\$15,555,000 (2004: HK\$3,087,000) (note 22), the investment property and certain leasehold land and buildings held by the Group (note 13) and corporate guarantees executed by the Company.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Deferred tax liabilities of the Group arose from revaluation of investment property, leasehold land and buildings, plant, machinery and office equipment, and motor vehicles.

	Group	
	2005	2004
	HK\$'000	HK\$'000
At beginning of year	6,668	7,094
Deferred tax credited to the profit and loss account during the year (note 9)	(383)	(426)
At end of year	6,285	6,668

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

25. DEFERRED TAX (Continued)**Deferred tax assets**

Deferred tax assets of the Group arose from taxable and deductible temporary differences.

	Group	
	2005	2004
	HK\$'000	HK\$'000
At beginning of year	1,515	–
Deferred tax credited to the profit and loss account during the year (note 9)	246	1,515
At end of year	1,761	1,515

The Group has tax losses arising in Hong Kong of HK\$34.6 million (2004: HK\$25.0 million) as at 30 September 2005 and the Group had tax losses arising in Mainland China of HK\$0.2 million as at 30 September 2004, that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 30 September 2005, there is no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or its jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

	2005	2004
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid:		
1,016,001,301 ordinary shares of HK\$0.10 each	101,600	101,600

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(Continued)***30 September 2005****27. SHARE OPTION SCHEME**

On 25 February 2003, the Company terminated its then share option scheme adopted on 3 September 1999 (the "Old Option Scheme") and adopted a new share option scheme (the "New Option Scheme"). The options granted under the Old Option Scheme will remain in force and effect.

Pursuant to the Old Option Scheme, the exercise price of the share options was determinable by the directors, but could not be less than the higher of (i) 80% of the average of the closing prices of shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the five trading days immediately preceding the date of the offer of grant of the share options; or (ii) the nominal value of the shares of the Company.

In response to the amendments by the Hong Kong Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, the Company terminated the Old Option Scheme and then adopted the New Option Scheme on 25 February 2003 as follows:

The purpose of the New Option Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the New Option Scheme include the directors (including executive directors and non-executive directors), employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, joint venture partner or business alliance of the Group and shareholders of the Group. The New Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 25 February 2003.

The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the New Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the New Option Scheme. As at 30 September 2005, the Company had outstanding 33,550,000 share options which were all granted under the Old Option Scheme and the total number of shares issuable for options was 33,550,000. It represented approximately 3.3% of the Company's shares in issue as at that date.

The total number of shares issued and to be issued upon exercise of the share options granted under the New Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted under the New Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

27. SHARE OPTION SCHEME (Continued)

A share option may be accepted by a participant within 21 days from the date of the offer for grant of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the New Option Scheme, and commences from the date of acceptance of the offer of grant of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer for grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for grant, which must be a business day; and (iii) the nominal consideration of HK\$1.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

No share options were granted, exercised, cancelled, or lapsed under the share option schemes of the Company during the year.

The following share options were outstanding under the share option schemes of the Company during the year:

Name or category of participant	Number of share options at 1 October 2004 and at 30 September 2005	Date of grant of share options*	Exercise period of share options	Exercise price	Price of Company's share at
				of share options** HK\$	date of grant of options*** HK\$
Directors					
Ms. Wong Choi Kam	6,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Ms. Wong King Ching, Helen	1,500,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
Mr. Leung Chi Fai	1,050,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	8,550,000				
Other employees in aggregate	25,000,000	25 October 1999	25 October 1999 to 24 October 2009	1.20	1.60
	33,550,000				

NOTES TO FINANCIAL STATEMENTS *(Continued)***30 September 2005****27. SHARE OPTION SCHEME** *(Continued)*

- * *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*
- ** *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*
- *** *The price of the Company's shares disclosed as at the date of the grant of the share options is the Hong Kong Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.*

At the balance sheet date, the Company had 33,550,000 share options outstanding under the share option schemes of the Company. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 33,550,000 additional ordinary shares of the Company and additional share capital of HK\$3,355,000 and share premium of HK\$36,905,000 (before issue expenses).

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

28. RESERVES**Group**

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve fund# HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2003	177,325	56,471	509	48,282	(7,337)	–	472,845	748,095
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	2	–	–	2
Net profit for the year	–	–	–	–	–	–	35,076	35,076
Proposed final 2004 dividend	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2004 and 1 October 2004	177,325	56,471	509	48,282	(7,335)	–	497,761	773,013
Exchange realignment on translation of the financial statements of foreign subsidiaries	–	–	–	–	8,638	–	–	8,638
Transfer from retained profits	–	–	–	–	–	11,180	(11,180)	–
Net profit for the year	–	–	–	–	–	–	27,665	27,665
Proposed final 2005 dividend	–	–	–	–	–	–	(10,160)	(10,160)
At 30 September 2005	177,325	56,471	509	48,282	1,303	11,180	504,086	799,156
Reserves retained by:								
Company and subsidiaries	177,325	56,471	509	48,282	1,303	11,180	509,362	804,432
Jointly-controlled entity	–	–	–	–	–	–	(5,276)	(5,276)
At 30 September 2005	177,325	56,471	509	48,282	1,303	11,180	504,086	799,156
Company and subsidiaries	177,325	56,471	509	48,282	(7,335)	–	504,129	779,381
Jointly-controlled entity	–	–	–	–	–	–	(6,368)	(6,368)
At 30 September 2004	177,325	56,471	509	48,282	(7,335)	–	497,761	773,013

In accordance with the financial regulations applicable in Mainland China, a portion of the profits of a subsidiary in Mainland China has been transferred to reserve fund which is restricted as to use.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

28. RESERVES (Continued)**Company**

	Share premium account	Contributed surplus*	Capital redemption reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 October 2003	177,325	118,377	509	214,290	510,501
Net loss for the year	–	–	–	(6,965)	(6,965)
Proposed final 2004 dividend	–	–	–	(10,160)	(10,160)
At 30 September 2004 and at 1 October 2004	177,325	118,377	509	197,165	493,376
Net loss for the year	–	–	–	(6,021)	(6,021)
Proposed final 2005 dividend	–	–	–	(10,160)	(10,160)
At 30 September 2005	177,325	118,377	509	180,984	477,195

* The contributed surplus of the Group represents the difference between the aggregate of the nominal value of the share capital of the subsidiaries acquired at the date of acquisition, over the nominal value of the share capital of the Company issued in exchange therefor and issued on incorporation.

The contributed surplus of the Company at the date of acquisition represents the excess of the then combined net assets of the subsidiaries acquired at the date of acquisition over the aggregate of the nominal value of the Company's shares issued in exchange therefor.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

29. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment property located in Hong Kong (note 13) and certain of its leasehold land and buildings located in the PRC under operating lease arrangements, with the leases negotiated for terms ranging from one to two years.

At 30 September 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Within one year	111	147
In the second to fifth years, inclusive	–	19
	111	166

(b) As lessee

The Group and the Company lease certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms ranging from one to two years.

At 30 September 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Within one year	283	280	243	57
In the second to fifth years, inclusive	61	–	61	–
	344	280	304	57

NOTES TO FINANCIAL STATEMENTS (Continued)

30 September 2005

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Acquisition of fixed assets	26,409	1,211
Capital contributions to wholly-owned subsidiaries established in Mainland China	111,900	176,310
Authorised, but not contracted for:		
Acquisition of land use rights	17,378	15,500
	155,687	193,021

The Company did not have any significant commitment as at the balance sheet date (2004: Nil).

31. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2005	2004
	HK\$'000	HK\$'000
Guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries	151,000	111,000

As at the balance sheet date, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$13,288,000 (2004: HK\$11,610,000).

The Group did not have any significant contingent liabilities as at the balance sheet date (2004: Nil).

**NOTES TO FINANCIAL STATEMENTS** *(Continued)***30 September 2005****32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT****Major non-cash transaction**

During the year, the Group acquired certain fixed assets in the current year, of which deposits of HK\$4,940,000 for acquisition of fixed assets was paid in prior year.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group sold finished goods amounting to HK\$10,826,000 (2004: HK\$4,711,000) to a company of which the spouse of Ms. Wong Choi Kam, a director of the Company, is a director and controlling shareholder.

The sales to the related company were made according to the published prices and conditions offered to the major customers of the Group.

The above related party transactions also constituted connected transactions as defined in the Listing Rules.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 January 2006.